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GREB INDUSTRIES LIMITED/ANNUAL REPORT 1968

ANNUAL MEETING

The annual meeting of shareholders will be held at the head office of the Company, 51 Ardelt Avenue, Kitchener, Ontario, at 3:00 p.m. E.S.T. on April 10, 1969.

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Officers

Harry D. Greb,
President

Charles E. Greb,
Executive Vice-President

John D. Campbell,
Vice-President, Marketing

Ross E. Hahn,
Vice-President, Manufacturing

Arnold C. Austen, C.A.,
Vice-President, Finance

Arthur C. Greb,
Secretary

George A. Klugman,
Treasurer

Directors

Arnold C. Austen, C.A.
John D. Campbell
Arthur C. Greb
Charles E. Greb
Harry D. Greb
Ross E. Hahn
Roland A. Harris, O.B.E.
John B. Hawson
David C. H. Stanley

Head Office

51 Ardelt Avenue,
Kitchener, Ontario

Transfer Agent & Registrar

Canada Permanent Trust Company

Auditors

Thorne, Gunn, Helliwell & Christenson

HIGHLIGHTS OF THE YEAR

Operating Results — *Fiscal Years Ended*	**1968** November 2	**1967** October 28
Net income	$ 667,130	$ 644,020 (i)
Per share — Class C and common	.95	.91 (i)
Dividends declared — Class C and common	291,941	289,985
Per share (iii)	.48	.48
Financial Position — *At year ends*		
Working Capital	$ 3,330,529	$ 3,800,804
Current ratio	1.45	1.60
Shareholders' equity — Class C and common	4,742,132	4,508,693 (ii)
Per share	7.04	6.69 (ii)
Other Data — *At year ends*		
Number of shares outstanding — Class C and common	673,835	673,835

(i) Adjusted for deferred income taxes and change in depreciation basis.

(ii) Adjusted for accumulated deferred income taxes and fixed asset values from appraisal to original cost.

(iii) Dividends declared on the Class C shares are equivalent to those declared on the common shares after consideration of the 15% tax paid by the Company on undistributed income.

TO OUR SHAREHOLDERS

A SUMMARY OF 1968 ACCOMPLISHMENTS

The fiscal year ended November 2, 1968, our third year as a public company, produced further growth in our marketing activities and the second highest earnings in our Company's history.

Our net sales increased 8.2% over the previous year, establishing another record volume since inception of the Company in 1912.

Your Company's net income, after both current and deferred income taxes, in the 1968 fiscal year amounted to $667,130, an increase of $23,110 or 3.6% over the previous year, while the net income before corporation taxes increased $96,049 or 7.4% over the previous year.

In line with current accounting practice we are reporting our earnings this year after both current and deferred corporation income taxes and have adjusted our fixed asset accounting from appraisal to original cost values. Since 1963 your Company has operated on a financial year-end timetable whereby the year-end dates consistently fall on the Saturday closest to the last day of October in each year and, as a result, the year ended November 2, 1968 contained one extra week of operations.

Net earnings per Class C and common share for 1968 were 95c after provision for preference share dividends, compared with 91c in the previous year.

Funds generated from operations last year of $1,036,815 were at approximately the same level as the previous year, but the high rate of investment in new fixed assets reduced our working capital position at year end by some $470,000.

Net investment in plant, machinery and equipment during the year amounted to $1,145,000 of which $778,000 was invested in new buildings. This investment included the completion of construction costs for the new finished products warehouse at Trois-Rivières, Québec and the new administrative centre in Kitchener. The balance — some $367,000 — was invested mainly in new machinery, dies and lasts.

We have no construction commitments outstanding and the total capital budget for the current year will approximate 50% of the total invested in the past fiscal year.

Both the Greb and Bauer product lines secured sound sales growth and improved earnings during the past year. As was previously anticipated, the Bauer division attained, in 1968, a satisfactory level of operating results.

Our latest fiscal year was the second complete year of marketing our new Acme range of Western boots and, although the volume in this line is still small in relation to our total sales, it enjoyed a substantial percentage increase, with the outlook for the current year equally as promising.

We are nearing completion of an extensive review of our organizational structure and management personnel and have made a number of changes to strengthen our operating efficiency. Included in these changes was the appointment of Mr. Charles E. Greb as Executive Vice-President and Mr. Arnold C. Austen, C.A. as Vice-President, Finance and the election to the Board of Directors of Mr. Roland A. Harris, O.B.E.

Effective with our current fiscal year, we plan to issue quarterly, rather than semi-annual, financial reports on your Company's progress.

In the following pages you will find a review of the year and reports on significant developments in our major operating areas.

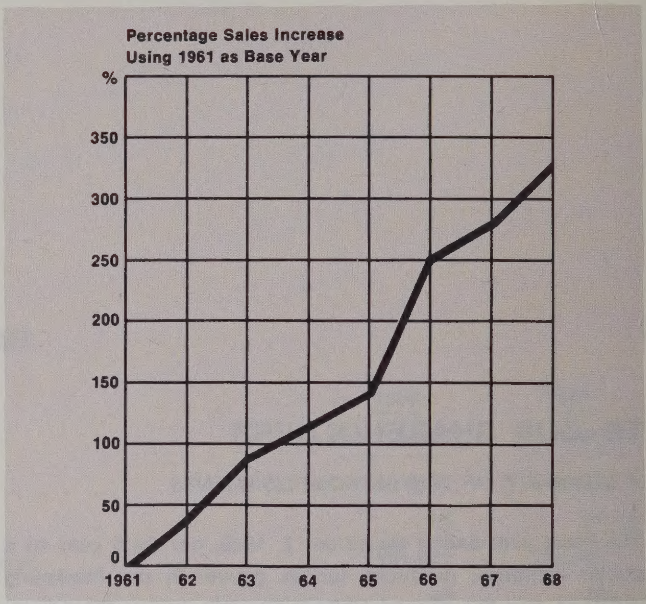
Looking to the future, we will make the most of our opportunities and are confident that 1969 will be a good year for your Company.

In conclusion, I would like to extend our appreciation for the continued loyalty and support of our management team, employees, customers, suppliers and shareholders.

Kitchener, Ontario
February 28, 1969

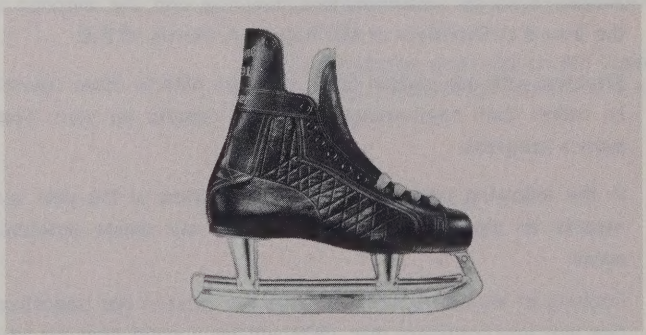
HARRY D. GREB
President

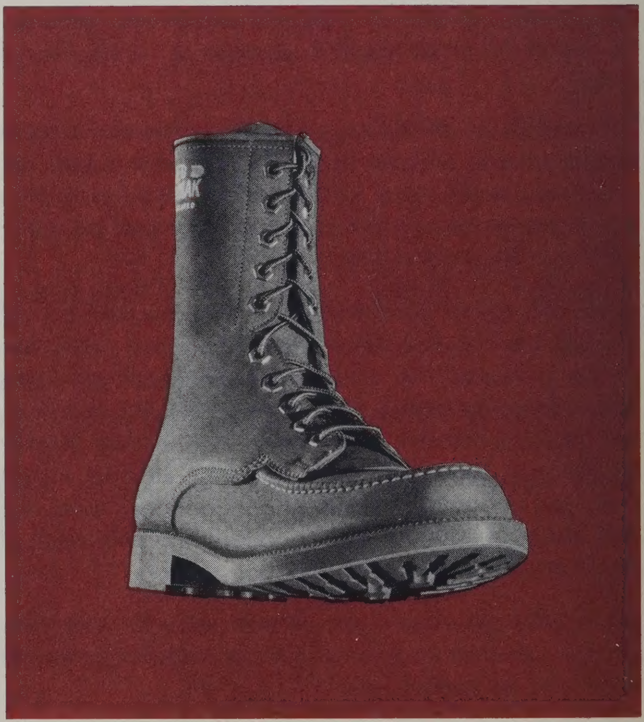
MARKETING PROGRESS — 1968



HUSH PUPPIES

During the year under review, it became apparent that Hush Puppies sales had reached a plateau of well over a million pairs a year, believed to be the largest annual volume ever achieved by a footwear brand in Canada. Total volume was virtually unchanged from the previous year, and accounted for some 43% of the Company's total sales. As a result of careful planning, prices were held firm and Hush Puppies casuals continued to retail at $11.95 to $12.95 for men's models, $9.95 to $11.95 for ladies', and $7.95 to $9.95 for children's. Hush Puppies are manufactured exclusively by Greb for Canada under licence from Wolverine World Wide, Inc., of Rockford, Michigan. In preparation for future sales increases in Hush Puppies, a review of the Marketing and Advertising programs was undertaken early in 1968. The result — destined to reach the consuming public in Spring '69 but revealed to the shoe retail trade in October — was a stronger emphasis on contemporary fashion and color (a total of 37 colors in pigskin, smooth and grain leathers). The advertising program has been built to foster this new concept of fashionable, colorful casuals, and to promote the shoe wardrobe idea through the expression; "Isn't it nice to have more than one pair!" The large sixteen-to-twenty-five age group is to be reached by radio.



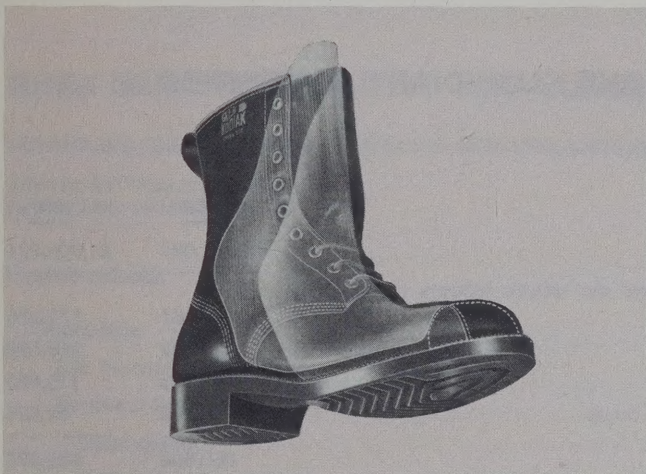


BAUER

The Bauer division — which manufactures complete ice and roller skate outfits, as well as soccer, baseball and football shoes — enjoyed a 15% sales increase during 1968. The largest percentage increase came from sales of hockey skates in the United States, particularly those areas served by the newer NHL teams; however, sales in every main region of North America improved noticeably. Baseball shoe sales were up 20%, with significant growth shown at the junior level. The outlook for the coming year is even more encouraging: entirely new, advanced designs for a large part of the entire range of Bauer products will reach the market in the coming year, and more NHL players than ever before (90 as of February '69) are using the top model Bauer skates. Other vigorous efforts are being made to associate Bauer with the best in hockey.

KODIAK

The Company's work and sport boot line which provides a sizeable proportion of total sales, continued strong during the past year with pairage ordered significantly ahead of the previous year. A substantial increase in the sales of high-pressure vulcanized footwear was recorded, including higher volume of the Kodiak waterproof outdoorsman's boot to the United States. During the year this waterproof boot's utility and sales appeal was improved with the development of a special deep-lug sole pattern, and it is expected that domestic and export sales of this new design will be brisk. Sales of Goodyear Welt footwear were also ahead during the year. This construction includes boots specially designed for policemen and firemen and handled through our Contract Sales section. The vulcanized combat boot for Canadian Armed Forces also continued to contribute sizeable sales.



SAFETY FOOTWEAR

Safety Footwear, in its first year of operation as a separate section, recorded a marked increase in sales. This is credited, in part, to the development of new safety footwear designs, such as a woodsman's chainsaw-proof boot with nylon mesh interlining, and a metatarsal-guard boot with vulcanized sole. Another factor in improved sales has been the growing number of plants which make the wearing of safety shoes mandatory. During the year, the Company began importing a line of winter safety headgear called "Headstrong" through an exclusive arrangement with Wolverine World Wide, Inc. This headgear has a high-impact synthetic lining combined with a soft shock-absorbent foam for built-in protection from impact. There seems little doubt that the future means continued expansion of the safety market.

MOHICANS

Sales of this semi-dress line of moccasin-type shoes for men and ladies were ahead 8%. Although volume in this line is still small in relation to the company's total sales, prospects for the coming year are very encouraging, with orders to date running some 200% ahead. This favourable acceptance is the result of extensive restyling and expansion of the line to 24 styles (ranging in retail price from $14.95 to $22.95 for men and $11.95 to $17.95 for ladies) in a variety of colors and textured leathers, plus decorative hardware.

ACME

During this, the second full sales year for Acme western boots by Greb, volume increased by a most satisfactory 48%, although this volume is still small in relation to the total Company sales. While sales of children's boots moved ahead by some 35% in response to promotional activity, the impressive gain was made among the 32 styles of men's boots, where sales were ahead some 75%. One of the popular lines of boots in the United States, Acme boots are made in Canada exclusively by Greb under an agreement with Acme Boot Company, Inc. of Clarksville, Tenn. Prior to this year, your Company has concentrated on building a basic line of infants', children's, boys', ladies' and men's styles, but during the period under review more emphasis was placed upon the high-style or "upper end" of the men's range, with vamp overlays and exotic leathers, and ladies' specialty styles. Although Acme boots continue to enjoy a reputation as "the working cowboy's boot" in Canada, the new styles appeal to the casual market out West, where most of the sales increase was recorded, and in the East where encouraging sales activity is just beginning.

MUKLUK

Following a successful introductory year, and aided by a forecast boom in winter leisure-time activity, MUKLUK made an even greater impact on retailers and consumers in 1968. The expanded line of eleven styles (seven for ladies) featuring luxurious Borg fabrics and unusual leather finishes, plus the distinctive handsewn vamp, established considerable momentum in the domestic market, as well as contributing to the Company's export business. Price does not appear to be a factor in the acceptance of various styles, so greater emphasis and design innovation has been placed on the upper end of the line for the current year.

MONTEVERDE AND TYROLEAN

The Company imports from Italy the Monteverde line of medium-priced ski boots. The rapid growth of this sport is reflected in the 10% increase in Monteverde ski boot sales by the Company last year, and further expansion is indicated. The Tyrolean range of deluxe boots, also made in Italy for the Company, includes nine styles of specialized boots for outdoors men and women, and mountaineering. Some sales growth in this sector is anticipated, in keeping with the overall interest in leisure-time activities.

CANVAS FOOTWEAR

1968 was the first full year of an arrangement by which your Company exclusively distributes in Canada three lines of canvas-and-rubber footwear from Japan, including Randy Boatshu for men and women, Bob Cousy basketball shoes for men and Dodgers baseball shoes for boys. The line has been expanded for 1969 by the addition of a Sneaker line for ladies and men. Sales met our optimistic estimates, indicating good prospects for long-term profitability in addition to immediate return.

RUBBER FOOTWEAR

1968 was also the first year of experience with a line of vulcanized rubber boots, imported by the Company from Japan and marketed exclusively under our Kodiak label. This footwear, in five styles for men and boys, meets a strong demand in this country for waterproof, cold-weather protection in a low price range (retail prices from $8.98 to $14.98), as shown by satisfactory first year sales, and the prospect for this year's expanded line is encouraging.

GREB INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

Year ended November 2, 1968
(with comparative figures for 1967)

	1968	1967
Income before undernoted items	$2,047,097	$1,905,921
Aggregate direct remuneration of directors and senior officers (as defined by The Corporations Act of Ontario)	187,667	179,275
Depreciation	315,205	265,590
Interest on long term debt	111,970	115,883
Other expenses — not regular operating costs	35,658	44,625
	650,500	605,373
Income before income taxes	1,396,597	1,300,548
Income taxes		
Current	674,987	516,694
Deferred (note 4)	54,480	139,834
	729,467	656,528
Net Income for the year (note 2)	$ 667,130	$ 644,020

Net sales for the year ended November 2, 1968 increased 8.2% over the year ended October 28, 1967.

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CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended November 2, 1968
(with comparative figures for 1967)

	1968	1967
Balance at beginning of year		$2,221,189
Accumulated deferred income taxes, October 29, 1966 (note 4)		196,301
Balance at beginning of year after above adjustment	$ 2,336,313	2,024,888
Add		
Net income for the year	667,130	644,020
Excess of book value of shares of subsidiary companies over cost at date of acquisition transferred to retained earnings	175,880	
	3,179,323	2,668,908
Deduct		
Cash dividends		
Class A preference shares	28,000	28,000
Class C shares	30,000	25,000
Common shares	83,441	75,401
	141,441	128,401
Stock dividends of 892,500 (947,920 in 1967) Class B shares on Class C shares	178,500	189,584
	319,941	317,985
Tax paid on undistributed income	27,750	14,610
Goodwill, trademarks, patents and licences written off	86,000	
	433,691	332,595
Balance at end of year	$2,745,632	$2,336,313

GREB INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended November 2, 1968
(with comparative figures for 1967)

	1968	1967
Source of funds		
Operations		
Net income for the year	$ 667,130	$ 644,020
Items not involving current funds		
Depreciation	315,205	265,590
Deferred income taxes	54,480	139,834
	1,036,815	1,049,444
Sale of fixed assets	18,681	31,038
Advances repaid by Metro Marine Limited	40,000	
Special refundable tax	22,175	(3,677)
Increase in insurance policy loans	35,561	
	1,153,232	1,076,805
Application of funds		
Additions to fixed assets	1,163,822	879,654
Dividends	319,941	317,985
Principal instalments on long term debt, reclassified under current liabilities	104,000	104,000
Tax paid on undistributed income	27,750	14,610
Increase in life insurance, cash surrender value	7,994	7,789
Investment in subsidiary company, less net current assets acquired		11,638
	1,623,507	1,335,676
Decrease in working capital	470,275	258,871
Working capital at beginning of year	3,800,804	4,059,675
Working capital at end of year	$3,330,529	$3,800,804

GREB INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET — NOVEMBER 2, 1968

(with comparative figures at October 28, 1967)

ASSETS	1968	1967
Current assets		
Accounts receivable	$ 5,266,108	$ 4,252,545
Inventories		
Raw materials, at the lower of cost and replacement cost	1,640,615	1,714,834
Work in process, at the lower of cost and net realizable value	544,076	467,375
Finished goods, at the lower of cost and net realizable value	3,227,254	3,532,400
Prepaid expenses	136,222	130,225
	10,814,275	10,097,379
Other assets		
Special refundable tax	4,846	27,021
Life insurance, cash surrender value, less policy loans of $144,839 ($109,278 in 1967)	20,445	48,012
Investment in and advance to subsidiary company (note 1)	51,055	91,055
	76,346	166,088
Fixed assets, at cost (note 2)		
Land	154,777	152,048
Buildings	2,730,922	1,908,753
Machinery and equipment	2,102,232	1,927,430
Dies, lasts and patterns	615,711	486,258
	5,603,642	4,474,489
Less accumulated depreciation	2,000,717	1,701,500
	3,602,925	2,772,989
Goodwill, trademarks, patents and licences, at cost		86,000
	$14,493,546	$13,122,456

Approved by the Board

Harry Greb DIRECTOR

A. C. Austen DIRECTOR

LIABILITIES	1968	1967
Current liabilities		
Bank advances, against which book debts and inventories have been pledged	$ 5,352,933	$ 4,017,048
Accounts payable and accrued liabilities	1,508,410	1,885,572
Income and other taxes payable	446,543	200,345
Dividends payable	71,860	89,610
Principal instalments due within one year on long term debt	104,000	104,000
	7,483,746	6,296,575
Long term debt (note 3)	1,388,000	1,492,000
Deferred income taxes (note 4)	319,668	265,188
SHAREHOLDERS' EQUITY		
Capital stock (note 5)	2,556,500	2,556,500
Retained earnings	2,745,632	2,336,313
Excess of book value of shares of subsidiary companies over cost at date of acquisition (note 4)		175,880
	5,302,132	5,068,693
Commitments (note 6)		
	$14,493,546	$13,122,456

GREB INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended November 2, 1968

1. Subsidiary companies and basis of consolidation

The subsidiary companies consolidated in these financial statements are Greb Shoes Limited, Greb Realty Limited, The Western Shoe Company Limited, The Canada Skate Manufacturing Company Limited, Bauer Canadian Skate, Inc. and The Tebbutt Shoe and Leather Company (Limited).

The accounts of Bauer Canadian Skate, Inc. have been converted into Canadian currency on the following basis: current assets, liabilities and operating accounts except depreciation at a rate of exchange of $1.0775 ($1.0706 in 1967) and fixed assets and depreciation, at par of exchange.

As in prior years, the accounts of Metro Marine Limited, a controlled company, are not consolidated because its operations are dissimilar. The company's proportion of the profit of Metro Marine Limited for the year ended December 31, 1967 amounted to $2,768 and the accumulated net profit since acquisition, which amounted to $10,437, is not reflected in the company's financial statements.

The investment in Metro Marine Limited consists of:

	1968	1967
Shares, at cost	$51,055	$51,055
Advance		40,000
	$51,055	$91,055

2. Fixed assets

In 1968 fixed assets which had previously been recorded at depreciated replacement values as at April 20, 1963 with subsequent additions at cost have been adjusted to original cost. The unamortized excess of appraised value of fixed assets over cost and the amount amortized to date have been adjusted against the asset values and the accumulated depreciation as at October 29, 1966. The 1967 figures have been restated to reflect this change in accounting practice.

The effect of this change has been to increase the net income by $29,282 in each of the years 1967 and 1968.

3. Long term debt

	1968	1967
6¾% Secured sinking fund debentures, Series A, maturing November 15, 1981, issued October 15, 1963	$ 876,000,	$ 938,000
7% Secured sinking fund debentures, Series B, maturing November 15, 1981, issued October 29, 1965	616,000	658,000
	1,492,000	1,596,000
Less principal instalments included in current liabilities	104,000	104,000
	$1,388,000	$1,492,000

Under provisions of the debenture trust deed and supplementary debenture trust deeds, the company is obligated to set aside amounts sufficient to retire out of sinking fund moneys, $62,000 principal amount of Series A debentures and $42,000 principal amount of Series B debentures, on November 15 in each of the years 1966 to 1980 inclusive.

Under provisions of the debenture trust deeds, the company may redeem the whole or any part of the debentures outstanding on or after November 15, 1968 and up to November 15, 1981, at amounts varying from 110.50% to 100.00% of the principal amount redeemed.

The debenture trust deeds contain certain restrictions relating to the payment of dividends.

4. Deferred income taxes

In 1968 the basis of accounting for income taxes was changed to reflect deferred income taxes in the financial statements rather than by way of footnote as in previous years. Deferred income taxes accumulated to October 29, 1966 have been recorded by a transfer from retained earnings of $196,301. Subsequently this amount has been offset by $70,947 due to recording the income tax recovery applicable to the loss carried forward of a subsidiary acquired after that date which increased the excess of book value of shares of subsidiary companies over cost at date of acquisition to $175,880.

The 1967 figures have been restated and are shown as though the change to the new basis of recording income taxes had been made at the beginning of that year.

5. Capital stock

Authorized

31,200 Class A preference shares, par value $100 per share, issuable in series

7,768,380 Class B non-cumulative redeemable shares, par value 20c per share (after giving effect to the issue and redemption of 786,250 shares during the year)

716,500 Class C participating shares without par value convertible into an equal number of common shares

1,533,500 Common shares without par value

Issued	1968	1967
5,600 5% Cumulative redeemable Class A preference shares, first series	$ 560,000	$ 560,000
500,000 Class C shares	487,162	487,162
173,835 Common shares	1,509,338	1,509,338
	$2,556,500	$2,556,500

6. Commitments

The company has undertaken to contribute past service pension costs of $24,947 per annum for twelve years and $6,379 for a subsequent two years, which amounts will be charged against income as paid.

AUDITORS' REPORT

To the Shareholders of Greb Industries Limited

We have examined the consolidated balance sheet of Greb Industries Limited and its subsidiary companies as at November 2, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at November 2, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving effect in that year to the changes in accounting for fixed assets and income taxes as explained in notes 2 and 4 to the financial statements, with which changes we concur.

Thorne, Gunn, Helliwell & Christenson

Chartered Accountants

Kitchener, Ontario
January 9, 1969

7 YEAR CONSOLIDATED OPERATING AND FINANCIAL REVIEW

Figures in thousands except per share data

Years ended	1968	1967	1966	1965	1964	1963	1962
Operating Results							
Income before undernoted items	$1,859	$1,727	$1,833	$1,181	$1,096	$ 784	$ 446
Depreciation	315	266	223	118	83	71	112
Interest on long term debt	112	116	122	81	85	22	17
Non regular operating expenses (income)	36	45	(21)	42	3	78	69
Income taxes	729	656	766	462	474	285	111
Net income	667	644	743	478	451	328	137
Total dividends declared	320	318	233	46	46	27	2
Financial Position at Year End							
Working capital	$3,331	$3,801	$4,060	$2,958	$1,648	$1,568	$ 307
Current ratio	1.45	1.60	1.82	1.62	1.70	1.83	1.14
Fixed assets (net)	3,603	2,773	2,169	1,379	907	570	536
Long term debt	1,388	1,492	1,596	1,700	1,154	1,154	258
Shareholders' equity — Class C and common	4,742	4,509	4,117	2,172	1,144	740	438
Shares outstanding — Class C and common	674	674	674	539	505	505	505
Per Share in Dollars — Class C and Common							
Net income	$ .95	$ .91	$ 1.06	$ .85	$ .85	$ .65	$ .27
Dividends declared	.48	.48	.33¾	.05	.05	.05	
Shareholders' equity	7.04	6.69	6.11	4.03	2.27	1.47	.86

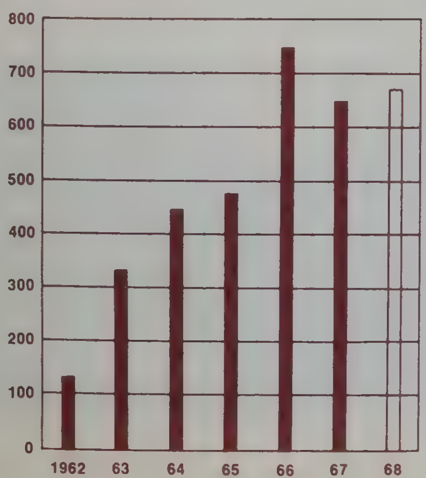
The above 7 year review includes -

(a) Adjustments to reflect deferred income taxes and the change, from appraisal to original cost values, for depreciation and fixed assets.

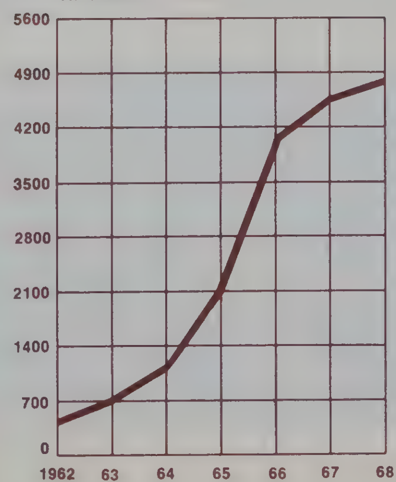
(b) The following companies from date of acquisition - The Western Shoe Company Limited, The Canada Skate Manufacturing Company Limited and Bauer Canadian Skate, Inc. as of October 29, 1965, and The Tebbutt Shoe and Leather Company (Limited) as of October 31, 1966.

(c) Adjustment of shares outstanding to reflect a capital stock subdivision and reclassification into Class C and common on February 18, 1966.

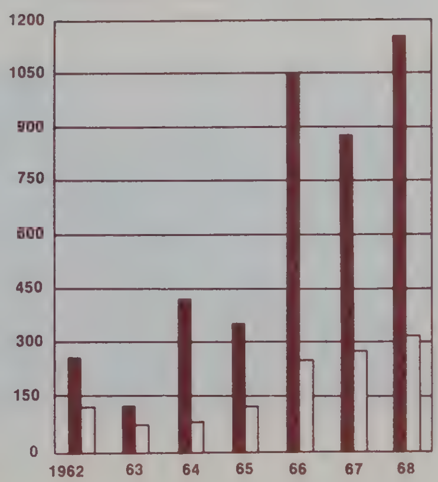
Net Income
Thousands of Dollars



Shareholders' Equity —
Class C and Common
Thousands of Dollars



Fixed Asset Expenditures
Depreciation
Thousands of Dollars



DISTRIBUTION

The Greb transport system operated unchanged throughout 1968. This fleet of attractive "travelling billboards" links our finished goods warehouses, raw material suppliers and our plants in Winnipeg, Trois-Rivières and Kitchener. One transport makes a weekly trip to Winnipeg returning via Rockford, Michigan, the Wolverine headquarters. Another transport travels twice-weekly to Trois-Rivières. A third vehicle does the run to Brattleboro, Vermont, and returns via Montreal. A fourth truck services the Bauer warehouse in North Tonawanda, New York (near Buffalo) and a fifth truck services our Kitchener locations.

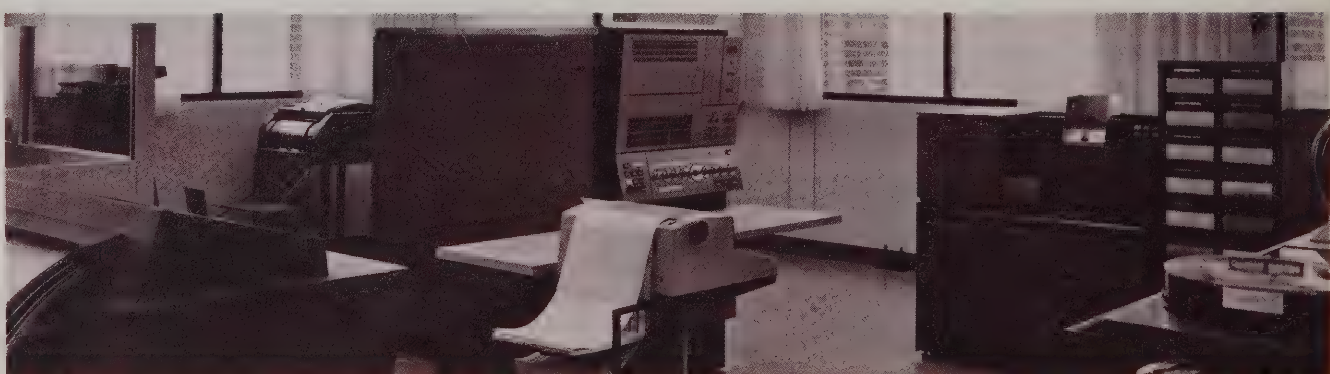
KITCHENER

ADMINISTRATION CENTRE

The new, three-storey Greb Administration Centre located in suburban Kitchener's Rockway Industrial Park, was completed and occupied in August, 1968, thus bringing together from scattered locations in Kitchener the administrative and marketing services for all divisions, as well as the purchasing, data processing, production scheduling and personnel departments. This under-one-roof situation is providing immediate benefits in improved inter-departmental communications and liaison, and from this it can be expected that future developments will find the new communications atmosphere stimulating. For example, the existence of adequate meeting facilities was particularly useful for the Company's first "Communications Conference" of all managerial employees at fiscal year's end. A pneumatic link between the Centre and the central warehouse adds further effectiveness to communications. A network of new Kitchener highways either completed or under construction, gives the Administration Centre strategic access to the Macdonald-Cartier Freeway. In addition, the Centre is architecturally interesting (it is the first industrial building ever to win the top Ontario Masons' Relations Council design award), an appropriate Company "advertisement" for the eyes of passing motorists.

ELECTRONIC DATA PROCESSING

Development of data processing techniques and systems moved ahead during 1968, making it practical and profitable to install the IBM 360 Model 30 in the specially designed second floor computer area of the Administrative Centre at year's end. Greb requirements are currently below the computer's total capacity, and negotiations are presently under way for rental of off-hour time, indicating a good prospect for additional income.



PRODUCTION SERVICES BUILDING

One of the most promising developments of the year was made possible by the introduction of sole pre-trimming equipment co-ordinated with the automatic sole cutting machine installed in this plant in 1967. "Hush Puppies" crepe soles are provided to all plants in exactly the finished size required for every style and size. This means the elimination of costly hand operations previously done after application of the sole to the shoe, increased productivity, improved quality and a better finished-product appearance.

BREITHAUPT STREET PLANT

Thermo-plastic lasting — a method of fastening the upper leather of a shoe to the insole with plastic adhesive rather than nails — became a complete process with Greb "Hush Puppies" during 1968. It began years earlier with toe-lasting and side-lasting, and during the year under review two machines were introduced which perform both the heel-forming and heel-lasting operations semi-automatically. This can be regarded as typical of the new wave of machinery innovation which is helping to produce better products more economically.

DESIGN CENTRE

The compact office building adjacent to the Kitchener Breithaupt Street plant became available for a Design Centre when office operations were concentrated in the Administration Centre. Fortuitously, this occurred at a time of expansion in the design department, the result of new emphasis on product styling and development in all lines, particularly "Hush Puppies" and Bauer athletic footwear. The Centre not only provides the essential space for a creative design department, but also permits a completely integrated operation, including new pattern grading equipment. In the vernacular of youth, "this is where it's happening"; where styling ideas are transformed into something tangible.

TROIS-RIVIERES

WAREHOUSE

A new $300,000 finished goods warehouse containing over 23,000 square feet of floor space, was completed by the Company on a seven-acre site in Trois-Rivières during 1968. It serves a dual purpose: facilitating distribution of Hush Puppies manufactured by the Company's plant in Trois-Rivières and those made under contract in nearby Grand'Mère, to other points in Canada; and handling distribution of all Greb footwear sold within the Province of Quebec. This building has the same architectural style as the warehouse in Winnipeg and all buildings at the Ardelt Avenue location in Kitchener.

PLANT

Your Company's Trois-Rivières plant, The Tebbutt Shoe & Leather Company (Limited), purchased in our 1967 fiscal year, continues to function efficiently at a much higher production level and is now fully integrated into our operational structure.

WINNIPEG

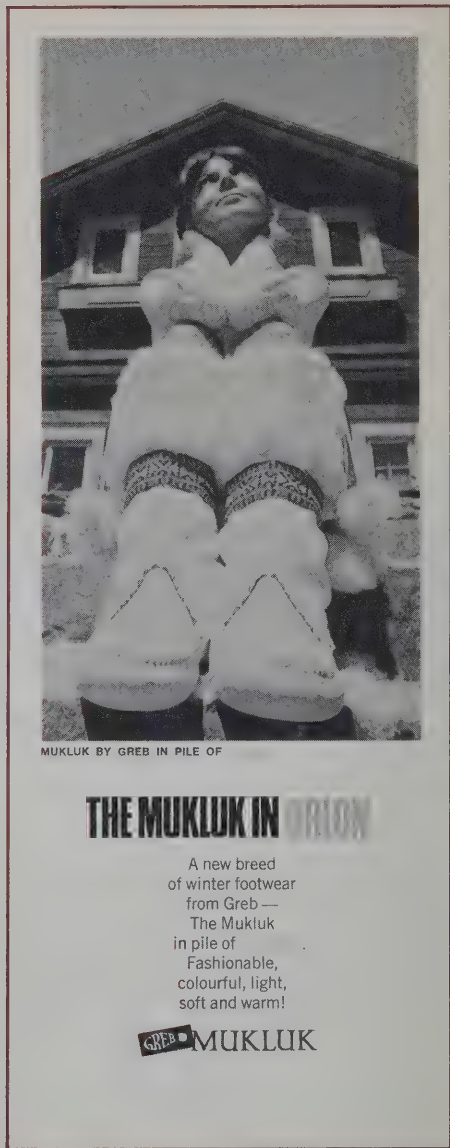
MARKET STREET PLANT

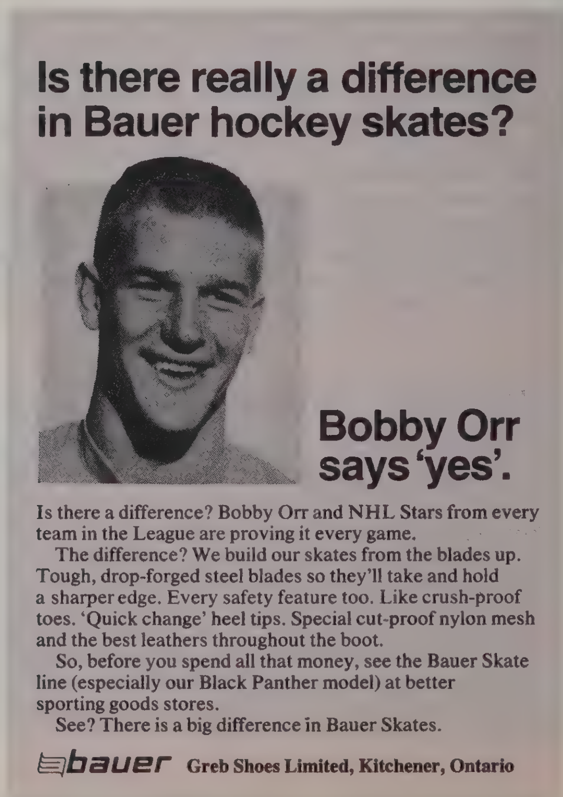
Demand for products made exclusively in the Winnipeg plant — Acme, Mohicans, Mukluk and Goodyear welts — rose during 1968 to the point where production facilities were strained. Consequently, at year end arrangements were made under a new lease to occupy an additional floor (22,000 square feet) of this downtown Winnipeg factory building and devote it primarily to present and anticipated demand for the new style Mohicans. This expansion will also contribute to greater efficiency on the other three floors.

ADVERTISING

Television continued as the dominant medium of Greb advertising in 1968. Using commercials produced in previous years, Hush Puppies advertising was concentrated in the Spring months, reinforced by major-market transit advertising and full-page color ads in "Reader's Digest". TV exposure was given to the Acme "Cowboy" commercial (which subsequently won an Award of Merit at the Canadian TV Commercials Festival) during Calgary Stampede Week. A joint advertising venture with one of our suppliers resulted in full-color rotogravure treatment for Mukluk in The Canadian-Star Weekly.

The Bauer division made extensive use of radio in Canada and the United States to emphasize the use by professional hockey players of Bauer skates. This point was further established in newspaper advertising of the "Bauer Advisory Staff" of 27 NHL players and referees.





PUBLIC RELATIONS

The multi-faceted public relations program continued throughout 1968, ranging in scope from participation in an educational television program about advertising to a Hiking Skills proficiency award for an Ontario Forestry Association Ranger, and from service club speeches to general publicity. The Company was represented at Dog Shows (by sponsored trophies) and on television "interviews" by its living-symbol, Velvet, our Basset Hound. Thousands of pieces of public-service Greb Hiking Bureau literature were distributed on request to a growing number of Canadians interested in this sport. News items and photos of other products — particularly the stylish Mukluk — appeared in a number of media. An outstanding example of concerted effort occurred in connection with the Calgary Stampede, where advertising, publicity and sales promotion were coordinated in a brief campaign for our Acme range.

SALES PROMOTION

The most significant sales promotion activity spread from the final quarter of the year under review into the current year, and much that was accomplished during '68 will not be apparent to the consuming public until this Spring. A notable change is in the "Hush Puppies" box, which is being standardized internationally with a fresh design, although the Greb box will be unique to the extent that "Velvet" appears in photograph on the cover.

Some point-of-purchase material, adapted or revised from existing designs, was supplied to retailers during 1968. However, the major emphasis on p-o-p will come in Spring '69 when an entirely new approach to Hush Puppies advertising results in a complete package of tie-in store display materials and literature.

The Company participated in the annual Canadian Shoe and Leather Fair at Montreal's Place Bonaventure in October with one of the largest exhibits at the show. Once again, Greb products were honored with two style awards by the Leather Bureau of Canada, one for men's casuals and the other in the sportsman's boot category.

The Bauer division was particularly active in sales promotion during the year, increasing the sales momentum begun in the '67-68 winter, by effective utilization of window banners, book covers and counter displays of the Bauer "advisory group" of NHL players.